

# The Financial Times of Indiana

## Budget and Tax News from the Office of Governor Frank O'Bannon

Wednesday, May 8, 2002

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### The News in brief...

#### April's Revenue Report Increases Need for Legislative Action: O'Bannon

The national recession that has cost tens of thousands of Hoosier their jobs, as well as cutting so deeply into Indiana's budget that Governor O'Bannon had to cut more than \$700 million from planned investments, is showing no signs of recovery. In fact, the state's most recent revenue report shows Indiana's revenues are continuing to decline.

Traditionally, April is one of the state's heaviest revenue collection times because taxpayers file their income taxes in March. April 2002, however, produced revenue that was \$86.5 million less than predicted by economic experts. For the first 10 months of Fiscal Year 2002, the state has collected a total of \$178.8 million less than expected.

Corporate income taxes fell by 28.7%, followed by a 7.7% decrease in individual income taxes.

"This news underscores the urgency for Indiana leaders to act immediately to protect jobs, protect homeowners and protect education," the Governor said. "We cannot wait to restructure our taxes or address our budget." The Governor also mentioned this recession is the worst the state has seen since 1980, and that Indiana "is not even beginning to grow out of it."

After discussing the new revenue report, the Governor called on lawmakers to review the report and consider it as they decide what action to take next week during Special Session.

Governor O'Bannon called lawmakers back to work after they adjourned their regular session without addressing the state's budget or tax restructuring needs. He has met with House and Senate leaders and spoken with dozens of lawmakers in the past several weeks, encouraging them to join him in protecting schools and homeowners and in growing new jobs.

For the past two weeks, the Governor and Lieutenant Governor Joe Kernan have traveled the state spreading their message of the need for a balanced budget and tax restructuring.

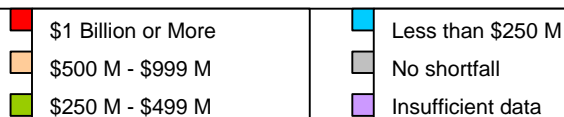
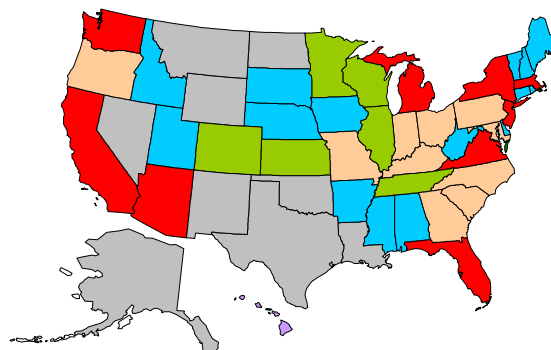
#### What Others Are Saying

"The consensus is that it is difficult, but needs to be done if we are going to see Indiana grow and prosper from border to border and in every community...I look forward to a tax structure that will be supportive and attractive to local businesses."

*Richmond Mayor Shelley Miller  
Lafayette Journal & Courier 5-3-02*

### Projected Budget Shortfalls Over Two Years

Sources: NASBO and *Governing* Magazine (for FY 2002)



### Budget News From Around the Nation

**Governing Magazine reports this month that 41 states have budget deficits, with 45 being forced to cut their budgets.**

Medicaid, *Governing* reports, is responsible for about 20% of state budgets. In Indiana, it is 12%.

**Nationwide, for the last fiscal quarter of 2001, personal income taxes were down -3.0%, corporate income tax collections were down -34.5%, and sales tax collections were up 0.9%.**

In Kansas, the legislature passed a budget that was \$220 million out of balance, and provides no new money for public schools.

Sources: *Governing* Magazine, May 2002  
*Kansas City Star*, May 3, 2002

[Click here for more information on Indiana's Budget and Revenue Forecasts](#)